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EDITORIAL NOTE

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GENERAL RATIONING

A year ago one of the most important topics of discussion in the Press was the first draft of Mr. Keynes' plan of Compulsory Savings as a means to avoid inflation. The dramatic events of the spring and summer and the violent bombardment since the autumn of 1940 have distracted public attention from the home economic front. Nevertheless these very events have accentuated those inflationary tendencies which Mr. Keynes' plan was devised to prevent; the problem of falling supplies of consumers' goods and rising prices is one of the most serious which the nation must solve in the New Year. Important objections were made against the Keynes plan on the ground that evasion of compulsory saving would be possible by reducing voluntary saving, or by actual dissaving, and last June we published in the typed BULLETIN an alternative scheme, for the rationing of expenditure in shops, devised by Mr. Kalecki. Although this scheme received some attention we consider it important that it should reach a wider public. In nearly all newspapers and journals recently there has been a demand for widespread rationing, but few concrete suggestions have been made as to how this object can best be achieved. Mr. Kalecki has now elaborated the original scheme, paying particular attention to problems of administration, and we publish here the amplified version.

THE EDITOR.

THE PROBLEM

In a recent article in the BULLETIN,¹ the conclusion was reached that all over the second half of the year the financial situation was 'inflationary': stocks of consumption goods were run down and/or a rise in prices of these goods out of proportion with costs took place. After a certain time this development must lead to scarcity of goods and still greater price increases, and the only way in which this may be prevented is the curtailment of total expenditure on consumption.

Broadly speaking there are two ways, other than the *laissez faire* method of inflation, of adjusting consumers' spending to available supplies: taxation and rationing.

The common disadvantage of all *taxation* schemes is that their effect is not much different from that of price increases. This is quite clear in the case of flat income taxation, which affects the real consumption of the various income groups in much the same way as a rise in prices. The difference between these two ways which is in the back of the mind of people who advance such proposals is probably based on a rather arbitrary assumption that workers will not ask for higher wages when taxed while they usually do it when the cost of living rises, and thus the 'vicious spiral' will be prevented. Even granted that the assumption is right, the only people for whom the difference is essential are those with fixed incomes. For workers it does not, of course, matter whether their wages will be cut by 10% by taxation or whether prices will rise by 100% and wages by 80%.

Is taxation of the higher incomes an adequate solution of the problem of fair curtailment of consumption? Such taxation will undoubtedly tend to reduce to some extent the expenditure of the well-to-do, but to what extent is most uncertain, for the latter are likely to reduce the amount currently saved and in many cases even to dissave. Moreover, they may curtail their expenditure in an unhelpful way by cutting, say, education and entertainment while the actual problem is the scarcity of food, clothing, etc.

Mr. Keynes' scheme does not differ essentially from income taxation. For the working class the consolation offered by prospective post-war enjoyment of compulsory savings is of a rather shadowy character. As to the well-to-do, on whom in the last version of Mr. Keynes' scheme falls the chief burden of compulsory saving, it is even less efficient than income tax in cutting their consumption: seeing compulsory savings accumulating on blocked account they are more likely to save less on a voluntary basis or to dissave than they would if taxed to the same extent.

The most direct way of controlling expenditure is *specific rationing* over a wide range of shop goods, on the lines of the existing rationing schemes for, say, butter or meat. But here also the disadvantages are

¹ Vol. 2, No. 9, M. Kalecki, 'The Third Quarter.'

serious. To be comprehensive such a scheme must embrace an enormous number of commodities which involves considerable inconvenience for consumers and shopkeepers, as also difficulties in control. Moreover, it is difficult to prevent the transfer of coupons from poorer people, who do not consume fully their rations, via shopkeepers or otherwise, for the benefit of those who can afford to consume more, and among the latter this 'surplus' is distributed in a haphazard and unfair way. Finally at the moment when the rationing is introduced shopkeepers are in possession of certain stocks of commodities which they are able to sell without coupons unless their inventories are permanently watched; and a general running down of stocks is obviously undesirable.

THE GENERAL RATIONING SCHEME

Is there another way of restricting consumers' spending which is free from the disadvantage of specific rationing of individual groups of commodities?

It seems to us that a scheme limiting consumers' total expenditure in shops attains the end by a less cumbrous way and with less inconvenience to consumer and shopkeeper. The scheme is based on a simple principle. A total maximum expenditure in retail shops is fixed at, say, 25s. a week for an adult and 15s. for a child under 14.

Expenditure on services is not included in our scheme, because some of them are not scarce (e.g. education, entertainments) while others may, if necessary, be controlled much more simply by direct methods: dwelling space by billeting; travelling by reducing the number of trains and abolishing first class; gas and electricity by direct rationing; domestic services by fixing the maximum number of servants, etc., etc.

Apart from services, certain categories of goods could be bought coupon free: (1) medicines; (2) newspapers and books; (3) repairs. For people who have lost their chattels as a result of bombing, newly-married couples, etc., a special allowance should be made. The coupons required for the purchase of meals in restaurants must be only a certain definite proportion of their price, since it includes the cost of service.

If all people are issued coupons for the same amount those of low income grades will not be able to use them fully and might sell the residue to the well-to-do (or buy goods on their account). This problem may be handled in two ways. As in the case of specific rationing of commodities, we may make the transfer of coupons a punishable offence. Nevertheless transfer may take place to some extent. The reduction in expenditure which can be fully relied upon is then limited to the difference between the present actual expenditure and that which would ensue from the full use of their coupons by all people. The possible transfer of coupons from the poor to the better-off people is undesirable for the same reasons which were

mentioned in the discussion of specific rationing of commodities: the 'surplus' coupons will be redistributed among the well-to-do and the rich in a haphazard and unjust way.

One may, however, take another course and reduce the possibility of the transfer of coupons in the following way. Apart from the *absolute* maximum of expenditure a maximum *percentage* of income to be spent in retail shops is fixed at a level equal approximately to the upper limit of the actual percentage spent in shops by the poorer population, say 80%. Coupons must then be issued for the amount corresponding to the lower of these two maxima. With a percentage maximum of 80%, a couple with a child, having an income of 60s. per week, get coupons only for 48s., although on the basis of absolute maximum expenditure of 25s. per adult person and 15s. per child they are entitled to 65s.

This device clearly helps very much to reduce the transferability of coupons; it complicates, however, to a great extent the administration of the scheme.

ADMINISTRATION OF THE SCHEME

A flat rate issue of coupons could be arranged on very much the same lines as the existing rationing of specific commodities. If the income-percentage maximum is also adopted the administrative procedure would work in the following way. Any income-earner receives a form from the Coupon Office, on which he states the number of dependents and their age, his income, the reference number of Income Tax assessment if above exemption limit, the name of employer if below it. This makes possible a check whether or not income has been declared too high. (It is, of course, not necessary to check all returns, but only one in ten, say, to make a false declaration risky). Then on the basis of the principle described in the preceding sections coupons are issued. There may arise certain hardship cases if, for example, family budget composition is unusual, and thus the maximum percentage of income to be spent in shops appears to be too low, or if because of a sudden drop in income the person concerned lives partly on his reserves. In such cases appeals will be considered by the Coupon Office.

A certain difficulty in the running of the scheme may arise from the possible destruction of coupons by bombing. This may be prevented by issuing not actual coupons but books of P.O. Savings Banks model, in which the maximum expenditure for a certain period is credited to the owner, and on which he may draw the actual coupons from the Post Office, the procedure being exactly the same as with P.O. Savings Banks.

The most difficult problem is to ensure that goods are not sold without coupons. For this purpose a Retailers' Controlling Office might be established to which the retailers return all coupons received and obtain there 'retailers' coupons' which they must in

turn surrender to wholesalers when buying from them. These return the 'retailers' coupons', which must cover their full turnover as ascertained for payment of Purchase Tax, to the Authorities. The Retailers' Controlling Office will be in this way in possession of data on purchases of each retailer and will be able to compare them with the amount of 'consumers' coupons' surrendered. The amount of consumers' coupons should exceed that of retailers' coupons by an amount corresponding to retailers' margin *plus* the fall in retailers' stocks or *minus* their rise. The retailers will be requested to supply in addition the value of their stocks at certain intervals, and so the Retailers' Controlling Office will be able to see whether the retailer's margin—as calculated from his purchases, coupons returned and changes in his stocks—is at a level customary for his line of business. In all doubtful cases an investigation of the actual margin must be carried out on the spot and heavy fines imposed if the case of selling without coupons is proved. Also the declared value of stocks must be checked by samples and fines imposed if a misleading declaration is discovered.

FINAL REMARKS

This scheme presents, I think, certain definite advantages. First and foremost it constitutes a real safeguard against inflation, and it can easily be adapted to the most stringent supply situation. Secondly it is comprehensive and more convenient than the specific rationing of a corresponding range of goods; instead of struggling with an avalanche of coupons, for boots, clothing, electric torches, pots and pans, etc., etc., the consumer and the shopkeeper have to master only one set of coupons. Finally, although, for particular reasons—e.g. nutrition—some goods must be rationed specifically, among the remainder the consumer has, in our scheme, the widest possible freedom of choice. Against this must be set the disadvantages of complex administration, although it must be stressed that the administrative problem of our scheme will be simpler than that involved by the specific rationing of all goods.

The complication of the issue of coupons according to incomes is introduced only to reduce the transferability of coupons. In so far as this device cannot be applied in the case of specific rationing of commodities it constitutes another advantage of our scheme. It may be, however, dropped, should the difficulties involved outweigh the advantages to be gained.

We estimate in the Appendix that if all people were to spend per week in shops 25s. per adult person and 15s. per child the total expenditure would be about £2,700 million a year, and that the actual present expenditure in shops may be placed at £3,200 millions. This means that the standard of 25s. maximum expenditure in our scheme would reduce expenditure at least by £500 millions. Actually, however, the yield of the scheme would be much higher,

because the expenditure of a considerable number of the poorer population even with the flat distribution of coupons would be much less than the standard maximum. But by how much this would increase the yield depends, of course, on the amount of transfers of coupons (or of goods bought for coupons) from the poorer to the richer population.

If the graduation principle were applied the yield of the scheme may be expected to be greater, and therefore the maximum expenditure may be set higher than in the case of the distribution of equal amounts of coupons to all people, irrespective of their incomes, to effect the same reduction in expenditure.

Although Income Tax and specific rationing of commodities have been criticised above as methods for curtailment of general expenditure, they not only do not interfere with this scheme but actually supplement it. The savings accumulating as a result of the functioning of the scheme should be at least partly collected not by borrowing but by taxation, and for this reason the Income Tax rate should be raised. In some cases this will bring a certain pressure on expenditure and so reduce the possibilities of evasion from our scheme.

The rationing of some essential commodities is necessary also within our scheme, because the latter only reduces but does not abolish fully the inequality of expenditure. For this reason it may also be advantageous to 'differentiate' our scheme by introducing food and non-food coupons.

M. KALECKI.

APPENDIX

The present population of the United Kingdom after deduction of soldiers is 45.46 millions. The percentage of children under 14 in the total population was in 1931 about 23%. Allowing for the deduction of soldiers this percentage must be raised to 24%. It follows that the expenditure in shops of the total population at 25s. per week per adult person and 15s. per child would be about £2,700 millions.

According to Mr. Feaveryear expenditure in shops was in 1937 £2,830 millions. In the first half and in the third quarter of 1940 the Bank of England index of the value of retail sales was higher than in the same periods of 1937 by 10% and 13% respectively. The last figure is swollen by pre-Purchase Tax buying. On the other hand, owing to evacuation from London the index based on the Bank of England sample probably under-estimates the war-time rise in the value of sales.¹ We therefore estimate the present value of retail sales by adding 13% to £2,830 millions, which gives £3,200 millions.

¹ The customers of London department stores when evacuated are likely to transfer a part of their purchases to independent retailers, which are much less strongly represented in the sample.

BULLETIN AND DIARY

INTERNATIONAL COMMODITY CONTROL

I

THE BRITISH EMPIRE

Since Commodity Control, a comparatively late product of international trade was, from its introduction at the end of the nineteenth century, based mainly on safeguarding the interests of selected producers or producer countries of selected raw materials, international co-operation could hardly be expected to prove an unqualified success. While the anarchic conditions in the commodity market before this war contributed largely to the weakening of the forces striving for the maintenance of peace, their continuation now would become a danger to the Allied war effort. Unemployment and impoverishment created by raw-material surpluses would, in politically and strategically important parts of both hemispheres, create large interests working against the Allied cause.

In several countries the British Government acquired whole crops¹ or the export surplus of certain raw materials, but these purchases, made without regard to marketing facilities, may, especially in case of 'non-essential' commodities, lead to the accumulation of stocks of such a magnitude that will entail great dangers.² At present there seems to be no British organization attempting a planned economic co-operation and co-ordination of the whole empire, apart from measures for purely military purposes. A short survey of efforts towards this goal may help to understand this phenomenon.

The Empire Marketing Board started work in 1926. Originally intended for making grants in order to increase sales of Empire products in the U.K., the Board ran 'Buy British' campaigns, endowed agricultural research and a chair of Imperial Economic Relations at the London School of Economics, and undertook some statistical work on consumption. The extended powers granted in March 1931 to set up machinery in the Dominions for increased sales of Dominion and U.K. produce in the Dominions were not used, and, after Ottawa, the Board seems to have ceased working.

Ottawa decided, however, to establish an Imperial Committee on Economic Consultation and Co-operation in order to co-ordinate thirteen Empire Organizations such as the Imperial Institute, the Empire Marketing Board, the Imperial Economic Committee, etc. The Union of South Africa associated itself only on condition that no 'organization in the nature of a permanent secretariat or preparatory Committee to Commonwealth Conferences whether economic or otherwise' was erected and no principle of commitment to

¹ For instance the sugar crops of Mauritius and West Indies, the Egyptian cotton crop, the cocoa crop of British West Africa, and the tea crops of Ceylon and Nyasaland.

² See BULLETIN, No. 11, The Accumulation of Raw Material Surpluses.

financial support to Commonwealth economic organizations was involved. The Irish Free State wished it 'to be made perfectly clear that they are not prepared to contemplate the setting up of an Imperial Economic Secretariat or of any similar organ of centralization.' As a result of these severe limitations, the Imperial Committee restricted its activities to one Report published in 1933 on the work of the various 'co-operating' Empire organizations.

Another organization, the Imperial Economic Committee, first planned in 1923 and established in March 1925, has been particularly active since its inception. The Committee is of an advisory character and publishes reports and weekly Intelligence Notes on important commodities. According to decisions taken beforehand, however, activities were almost entirely suspended after the outbreak of war, part of the Committee's staff being called up and the majority being taken over by other Government departments.

There exists further a Colonial Empire Marketing Board constituted towards the end of 1937 in order 'to promote the marketing of Colonial produce in the U.K. and overseas.' The Board, possessing executive powers, had power to develop colonial resources and sell more goods. In July 1938 a 'Market Survey Committee' with Sub-Committees for raw materials and food products, was appointed. Up to March 1939, detailed market investigations had been carried out on arrow-root, fresh limes, flax and passion fruit juice.

On the financial side there is no institution which specializes in credits of intermediate (1-5 years') length or acts as issue bank for loans which would enable Empire countries to store surpluses and to subsidize producers. The Board of Trade Export Credits Guarantee Department set up for granting credits for exports, mainly of capital goods to foreign public authorities, extended, after the outbreak of war, its credit facilities.

In face of this lack of economic and financial Empire planning the Delhi Conference which was held from October 25th until November 25th, 1940, and aimed at a co-ordination of production, needs and mutual trade of the motherland and the Eastern countries of the British Empire so as to form them as far as possible into an economic unit, is a step forward, although the Conference was mainly concerned with the war effort and not with the problem of new markets. Pending a decision on the recommendation of the Conference to establish a co-ordinating body, a rump-secretariat will be maintained for the continuation of the work.

On similar lines an Economic Council for East Africa has been set up for a co-ordinated economic war policy. Economic agreements have also been reached with the African Free French Colonies and with the Belgian Congo. A Joint Anglo-Netherlands Committee on economic questions has been formed for the purpose of mutual information. Steps have further been taken with regard to Empire and World Marketing. In November 1940 Sir Frederick Leith Ross

was released from his duties at the Ministry of Economic Warfare and entrusted with investigating the problem of the world's surplus of food and raw-materials. Although other Departments are co-operating, such as the Dominion Office, the Colonial Office, the Ministry of Food and the Treasury, the establishment of an organization for planned marketing and possessing executive powers seems still far off.

II

THE WESTERN HEMISPHERE

In recent years, various attempts have been made by the American States at economic co-operation. In the endeavour to improve Pan-American co-operation the U.S.A. created two important institutions:

In February 1934 the Export-Import Bank had been founded with extensive powers of which up to the outbreak of war not much use had been made,¹ but through the new increase of capital by \$500 millions this Bank has suddenly sprung into prominence.

The Inter-American Bank, planned in May 1940, was intended to be an inter-Governmental organization whose shares were to be subscribed by Governments of the American Republics. The foreign trade of each of the Republics in 1938 was to be taken as basis for the minimum number of shares to be subscribed by the respective Governments. It was agreed that the Bank should have its principal office in the U.S.A., and at least one branch in each of the participating countries. The capital was to consist of 1,000 shares, having a par value of \$100,000 each.

There exists further an Inter-Departmental Committee on Co-Operation with the American Republics established in May 1938.²

The Pan-American meeting at Havana in July 1940³ took the form of a consultative conference only, whose recommendations would have to receive approval and legislative sanction in the countries represented. While in the political field important plans were agreed upon, little headway was made in the economic field. Fear of overpowering influence of the U.S.A. in Latin America, the dependence on European markets, the competitive character of important Latin American products with U.S.A., the inter-American rivalries, the desire to remain on good terms with the belligerents, and to a certain degree the threat-and-promise policy of Nazi

¹ Total transactions up to the end of 1938 amounted to not more than \$62 millions.

² The Committee submitted a report which recommended the financing by the Export-Import Bank of sales in the U.S.A. of goods not competitive with American products.

³ Out of 21 foreign ministers of American States, 11 were not present.

Germany, all contributed to piercé the delicate skin of Pan-American unity.

Strange as it seems, before the Havana Conference opened, the proposal for a U.S.A. tax on the import of Brazilian coffee was put forward, while leaving coffee imports from Colombia duty free in order to be in a better bargaining position towards Brazil, charged with accepting defaulted Brazilian bonds in payment for goods sold to Great Britain, and thereby favouring British bondholders compared with American ones.

Argentina's particularly stiff attitude against any plan of Pan-American economic unity has been influenced by the small extent of trade with the U.S.A. (9%), a result of American protectionism which, partly open, partly veiled by sanitary provisions as established under the Hawley-Smoot Tariff Act, acted against the interests of Argentine meat producers, a ruling force in the country's economic life.

The plan to absorb the surplus of products by a \$2,000,000,000 U.S.A. sponsored organization intended as the economic basis of the Havana Conference met with such violent antagonism within the U.S.A. as well as among Latin American countries that it was buried and replaced by a proposal authorizing the Inter-American Financial and Economic Consultative Committee to take measures for disposing of the accumulated surpluses and to make commercial agreements. But this scheme, too, had to be abandoned and the final agreement reached asked the said committee only to co-operate in a study of possible measures and to propose suitable methods and adjustments 'based on mutual benefit'.

American interests based their hostile attitude to the cartel plan on the concepts of a peace economy, arguing that the cartel would prove too great a burden for the Treasury, that it would entail a strict control of foreign trade and a regimentation of the whole economic life which could only be carried out successfully by authoritarian control, endangering parliamentary Government and the independence of Congress.

Even the Roosevelt plan, announced to Congress at the opening of the Havana Conference, to increase the capital of the Export-Import Bank by \$500 millions for granting credits to South American countries, was first opposed, on the grounds that American taxpayers' money should not be used for encouraging (Latin American) countries to withhold their products from the world market for an indefinite period in the hope of obtaining higher prices later on. In spite of sharp opposition the bill was signed by Roosevelt on September 26th, 1940.

At the same time a loan of \$20 millions was granted to Brazil for the development of a Brazilian steel industry, a credit which seems intended less for financing surplus raw material than as a credit for the furtherance of the export of American machinery and other

materials, similar to the \$20 million credit granted to Argentina, \$15 millions of which are to be used for the construction of a pipe line for the State oilfields.

The problems facing Latin America will have to be solved mainly by the countries of the Western Hemisphere, since Great Britain is handicapped by the limited resources of foreign exchange and shipping. Lord Willingdon's Economic Mission to South America is, therefore, first of all concerned with exploring possibilities for increased British exports. For the same purpose the U.K. Commercial Corporation intends to set up organizations in South American countries. Until these efforts have proved successful an increase in British trade with Latin America will have to be financed by credits of these countries or credits of U.S.A. to these countries (granted for this particular purpose). To some extent British purchases could be placed against Latin American debt obligations to Great Britain. Based on this principle the new agreement with Argentina for the purchase of foodstuffs worth \$160,000,000 provides for 50% of the price being paid in cash and 50% in Argentine bonds held in London.

In view of all the complications as outlined in this and the previous article referred to above¹ it seems evident that the road toward commodity control is paved with many obstacles, the most formidable ones being trade-rivalries, limited resources of foreign exchange and the uncertainty of future developments. Since there is, at present, no general solution, each country and each commodity will need a different approach. In order to prevent the super-accumulation of raw materials, Britain and U.S.A., in co-operation with each other and with the surplus countries, will have to try out a variety of methods such as Governmental marketing, welfare distribution and restricted production. Further banks could be established in Empire countries for the issue of loans to finance limited stocks and compensate losses; general levies could be raised on the respective trades and used for subsidies; U.S.A. credits and Latin American Bonds held in U.K. could be used for the furtherance of British Latin American trade. Finally an intensified inter-Empire, inter-American and Empire-American trade drive is called for, with above all, an organization which co-ordinates the various measures to be taken.

S. Moos.

¹ See p. 7.

DIARY

FINANCE

Government supply expenditure continued in December at about the same rate as in November. This seems to indicate that the factors which brought about a jump in this rate at the end of October (up to that time all over the second half of the year it was fairly stable at £3,500 millions per annum while in November it increased to £4,200 millions per annum) were of a rather permanent character.

The Budget deficit in December of £291 millions was financed chiefly by Treasury bills (£68 millions) Ways and Means Advances from the Bank of England (£50 millions) Treasury Deposit Receipts (£68 millions), National Savings Certificates and 3 per cent. Defence Bonds (£32 millions), $2\frac{1}{2}$ per cent. National War Bonds (£70 millions).

Because the last debt return is for December 31st while the last tender for Treasury bills took place on December 27th it is impossible to allocate the increase in Treasury bills between tender and tap. It is certain, however, that in the intervening days maturities exceeded considerably fresh payments and thus (both these items being now per full week at £65 millions) the rise in tap bills must have been accordingly higher than £68 millions.

The £50 millions of Ways and Means Advances from the Bank of England account for a great part of the increase in Government securities held by the Bank. During December the latter rose by about £85 millions. With a fall of £5 millions in Public Deposits, a rise of £18 millions in the note circulation, and small changes in other items this led to the increase in Bankers' Deposits by £75 millions, which made for an extraordinarily smooth turn of the year on the money market.

THE NEW TAP ISSUE

As from the beginning of this year the tap issue of $2\frac{1}{2}$ per cent. National War Bonds repayable 1945-47 has been replaced by two new tap issues: $2\frac{1}{2}$ per cent. National War Bonds repayable 1946-48 and 3 per cent. Savings Bonds repayable 1955-1965, both offered at par. The Government thus continues to adhere to the principle of tap issue and widens its scope by including longer dated securities. This will have an important bearing upon the mechanism of financing the Budget deficit and upon the bond market as a whole. If the latter becomes more cheerful this will be chiefly reflected not in a rise in bond prices but in greater purchases of securities on tap and in such periods the part played by short term borrowing will be correspondingly smaller. On the other hand a slump tendency in the bond market will express itself primarily in the fall of purchases of the securities on tap and a correspondingly

greater part of the Budget deficit will be financed by floating debt. Theoretically, the slump may become so acute that the purchases of securities on tap may cease altogether and the entire budget deficit will be financed by floating debt. As has been argued in this BULLETIN, no particular danger would be involved in such a situation: the way of financing the deficit has no important bearing on whether the situation is or is not 'inflationary.'

If the bond market gets still more bearish the prices of bonds must fall. The Authorities would then be at liberty to let them go down or to intervene by increasing the floating debt over and above the current deficit and purchasing bonds in the market.

FOREIGN EXCHANGE

The Treasury issued a new vesting order on December 14th, 1940, requisitioning a third group of U.S. securities held by British residents. Among the 66 shares on the list are those of a number of well-known concerns including F. W. Woolworth, Eastman Kodak and General Motors. The new list brings the number of requisitioned securities to 243, not including Canadian issues. The terms of acquisition are similar to those of previous orders. Payment will be made on January 14th, or one month after the delivery of documents of title on Form P.8.

A preliminary audit of British resources in the U.S., carried out by American Treasury officials, leads them to the conclusion that Great Britain will have exhausted her cash reserves in America by early autumn, 1941.

An order reducing from £25 to £10 the value of British bank notes which may be taken out of the country by travellers (except in the case of travellers to Eire) has been followed by an order permitting the purchase by travellers of small quantities of foreign exchange. Persons going to 'enemy' countries may take £2, those to 'non-enemy' countries £10 of the currency of the country concerned. This measure is regarded as logically entailed by the previous prohibition of the re-import of British notes.

A Payments Agreement has been concluded with Paraguay.

FINANCIAL COMPENSATION VERSUS SAVING IN MAN-POWER

There still seems to be some confusion between the 'financial' and 'real' aspects of war-economics. One of the more conspicuous examples is provided by the practice of avoiding the use of labour saving devices of certain ports because the charge for their use (presumably needed for the service of the debt of the Port Authority) is higher than the wages paid for manual unloading. A very similar case seems to have arisen in the garage-trade. In certain areas the military authorities insisted on reducing the number of garages stocking petrol. The Petroleum Board, very sensibly, thereupon pooled the receipts of the garages still permitted to sell petrol, and

shared it out among all existing firms. This opportunity was not, as could be expected, used to achieve complete pooling and to free skilled manpower for vital purposes, with due compensation. On the contrary, the department sent round cards asking the public to continue to patronise garages which had lost their right to sell petrol, for repairs, so that they should survive. The Board notes with satisfaction that the response of the public was gratifying. Thus some garages retain workers whose skill might be advantageously used elsewhere.

A more indirect but in the longer run possibly important cause of wastage of scarce manpower is the absence of any satisfactory arrangement for compensating retail traders whose shops were destroyed by enemy action. Such traders can only claim relief under the P.A.C. which, of course, is insufficient to meet their obligations. Compensation under the proposed new Act, if no repairs are granted, is restricted to the 1939 value of actual damage, and does not cover the value of the shop as a going concern. Even that compensation and interest on it is to be blocked; hence a damaged trader, if he is to avoid bankruptcy, must exert the utmost pressure to get his premises repaired. With increasing damage such pressure will prove difficult to resist politically. Thus instead of being able to mobilise manpower from retail trades—the most important source which can be tapped without prejudicing the standard of life—essential labour may be absorbed.

TRADING IN WHOLESALERS' 'QUOTAS'

Under the Limitation of Supplies Orders the sales of each and every wholesaler in the future are limited to certain fixed percentages of sales during the corresponding period a year ago. It is left to the wholesalers to 'ration' retailers in any way they please. Furthermore, in view of shifts of trade due to bombardment and evacuation, the Board of Trade has recognized the transfer of 'quotas' from one wholesaler who cannot sell to the limit of his permitted maximum to another whose demand from retailers exceeds his own curtailed supplies. These transfers must, however, be registered with the Board of Trade and their permission obtained.

There has now appeared an open market in these 'quotas,' prices quoted in trade journals being 10 to 12½ per cent. of the sale value of the goods, and in some cases as much as 25 per cent., and this excess is passed on to retailers with consequent rises in price of the goods concerned.

That such transfers are desirable seems obvious, and it is also likely that the quickest way of effecting them is by an open market. Purely bureaucratic transfers might be intolerably slow, at any rate for some time to come. This open market method, however, raises two problems—the price of the 'quotas' and the passing on of the 'quota' charge to the consumer. There is a danger of attempts being

made to corner 'quotas' and to charge exorbitant rates, causing considerable rises in retail prices; in particular higher rates are likely to be accepted by wholesalers in those areas where there is the greatest influx of population, and it is unjust that evacuees—many of whom have lost nearly all of their personal possessions in air-raids—should have to pay excessive prices for their goods.

Excessive rises may be prevented by refusing to recognize a 'quota' charge as a cost within the meaning of the Prices of Goods Act. If this measure were applied the advantages of speed of open market transactions would be achieved, the wholesaler who buys the 'quota' would receive his reward in increased turnover, and the final consumer would not suffer. In this way excessive rates for 'quotas' would not occur, since wholesalers would only buy 'quotas' at such a rate that the reduction in profit margins would be offset by the advantages of increased turnover.

FOOD POLICY

During the past few weeks the supply of foodstuffs has not prevented people from enjoying some of the extra kinds of food which they are accustomed to having at Christmas time. There were, however, obvious inequalities in the distribution of unrationed foods, particularly of the semi-luxury kinds. Reception areas had very few sweets, chocolate, and biscuits, and even rationed meat was in short supply. Prices for turkeys and fowls rose considerably, and when, from December 17th, the Ministry of Food fixed the maximum price for turkeys at 2s. 10d., this was considered too high by most housewives. Consequently there occurred soon after Christmas a glut of turkeys, which were reported to be selling in Smithfield market at about half the price that would have been charged before Christmas.

The increased Christmas rations of sugar and tea were accompanied by a permanent cut in the meat ration, from December 18th, to 1s. 10d. per full ration. It has since been further reduced to 1s. 6d. from January 6th, when, moreover, pork and most offals will be included among rationed meat. Sausages and cooked meat are to remain unrationed, but it seems likely that the price-controlled varieties of unrationed meatstuffs will become scarce. There has, in fact, been a general scarcity of all meats—rationed and unrationed—since Christmas, and in the first week of January the supply of rationed meat fell so low that there were reports of butchers in certain localities allowing their customers as little as 5d. worth per head.

From December 26th the price of apples was controlled, the best quality now selling at 1s. a lb. Before Christmas Cox's Orange Pippins were as much as 1s. 6d. and 1s. 8d. a lb.; a box of dates (pre-war price about 8d. or 9d.) cost 2s. 8d., cob nuts went up to 2s. 4d. a lb., walnuts and Brazil nuts in shells to 2s. a lb., and peanuts.

to 1s. 2d. a lb. Oranges were practically unobtainable. Grapefruit could be bought at from 7d. to 1s. each.

Our budget inquiry indicates that, in October, on the average about 29 per cent. of the total expenditure on food was spent on rationed foodstuffs—rationed meats, bacon, butter, margarine, cooking fats, sugar, and tea. Of the unrationed foods, bread is, apart from potatoes, the most important staple food; it is therefore a matter for satisfaction that the Ministry of Food prevented an increase in the price of bread and decided to grant a subsidy of $\frac{1}{2}$ d. per quartern loaf to those bakers who sell it at 8d. or less. This subsidy is given in addition to the present government subsidy of about £35,000,000 per annum on flour. It will be given for the next 3 months, and is estimated to cost the government about £750,000.

It was announced in the newspapers that from January 1st chocolate bars would be dearer, and as much as 1s. might be charged for $\frac{1}{2}$ lb. of plain chocolate. In Oxford plain chocolate in the familiar brands is unobtainable, but cooking chocolate in slabs can be bought at 1s. 6d. for $\frac{1}{2}$ lb.

ERRATA.

Bulletin Vol. 2, No. 9.

Page 13, in the Table the figure for imports into Argentina from Spain in 1939 should be 4.5 million pesos, and not 45 million.

Bulletin Vol. 2, No. 11.

Page 6, line 18, for 'in October 2 oz.' read 'in October 4 oz.'

Page 13, line 13, for 'imported' read 'exported.'